



AIIB CLIMATE-FOCUSED POLICY-BASED FINANCING

Key Features of AIIB’s Climate-Focused Policy-Based Financing (CPBF) Instrument

- 1 To contribute to coordinated international climate efforts, Asian Infrastructure Investment Bank (AIIB or the Bank) introduced CPBF instrument as part of its suite of Sovereign-Based Financing (SBF) instruments to support Member’s climate related policy and institutional reform programs.
- 2 The objective of AIIB’s CPBF is to support a Member-led policy and institutional reform program aimed at scaling up climate finance and accelerating the Member’s transition towards a low carbon and climate resilient future.
- 3 In supporting CPBF operations, AIIB will prioritize climate policy-based programs with a strong focus on climate adaptation and creating a conducive environment for attracting and mobilizing private capital. It will also have tangible links to climate-related infrastructure investments.
- 4 AIIB will also place emphasis on upstream dialogue with Members and partners and on adding value to the reform content through its infrastructure and climate finance expertise.

ELIGIBILITY REQUIREMENTS

The Bank may extend a CPBF to support a climate policy-based program that meets the following eligibility requirements:

1. Climate Transition Plan

Alignment with the Member’s Planned Transition to a Low Carbon and Climate Resilient Future. The Climate-focused Policy-Based Financing is supportive of, and consistent with, the Member’s policies and institutional reform actions aimed at implementing the Member’s internationally recognized climate transition plan under the United Nations Framework Convention on Climate Change (UNFCCC), that is either already adopted or in the process of being adopted. Examples of internationally recognized climate action plans covered by UNFCCC: Nationally Determined Contributions (NDC), Long-term Strategy, National Adaption Plan, and/or National Biodiversity Strategy and Action Plans.

2. Adequate Macro-Economic Policy Framework

The Member has an adequate macroeconomic policy framework.



Coordination with IMF and International Partners

Effective coordination with the International Monetary Fund (IMF), Multilateral Development Banks (MDBs) and other partners will be essential for consistency of policy advice, selection and sequencing of reforms, and complementary interventions of AIIB and partners.



Applicable Policies

AIIB’s Operational Policy on Financing, Environmental and Social Framework (ESF) and Procurement Policy have been amended to include the CPBF as a sovereign-backed financing instrument. The amendments to the ESF allow AIIB to apply a co-financer’s E&S policies, provided that these policies are consistent with AIIB’s Articles of Agreement and materially consistent with AIIB’s E&S policies.



Use of Mutually Reinforcing Financing Instruments

AIIB’s and partners’ activities can reinforce one another to support Members develop, implement and sustain CPBF reforms and address capacity-building needs of Members. AIIB will contribute to analytical work and may provide complementary financing (technical assistance, investment-project financing and results-based financing) including financing for CPBF-enabled downstream infrastructure investments.

Financing Modalities

AIIB can offer CPBFs either in co-financing or as a standalone financing. AIIB’s Board of Directors approved the Bank’s first CPBF loan for Bangladesh Climate Resilient Inclusive Development Program co-financed with Asian Development Bank.

CPBFs can be offered as a single policy-based financing (PBF), programmatic PBFs, a deferred drawdown option (DDO) for climate disasters, a supplemental PBF, or a policy-based guarantee.

